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Glamorous database. (Interview with Blair Stephenson and Jim Camey of Mary Kay Cosmetics Inc.) (interview)
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ABSTRACT: Mary Kay Cosmetics Inc dir of strategic marketing development Blair Stephenson and Mary Kay Cosmetics Inc project manager of direct support Jim Camey feel that the company's new direct marketing sales support program will become an integral part of the company's overall marketing approach. The program enables individual sales people to have high-quality direct marketing pieces mailed to potential customers by the company. The mailers have a sales person's name and address printed on enclosed forms. Stephenson and Camey believe the program will succeed because it taps into the company's currently active database of more than five million names.

TEXT:

GLAMOROUS DATABASE Supporting its sales force is paramount at Mary Kay Cosmetics --just how they do it is, well, beautiful.

More than two years ago Mary Kay Cosmetics, well-known for selling its beauty products via the direct selling channel of distribution, took a new step. With approximately 170,000 beauty consultants acting as a sales force, the company has instituted a direct mail program that supports the consultants in their quest to sell product to segments of the Mary Kay 5 million-name database.

Mary Kay's marketing emphasis still lies in their direct selling channel of distribution, but the company supports that channel with a marketing mix which includes not only direct mail, but space advertising and telemarketing.

In an interview at Mary Kay Cosmetics headquarters in Dallas, Texas, two company representatives share with us how the Direct Support Program works and what future marketing ideas are in the works for Mary Kay.

Today we're talking with Blair Stephenson, director of strategic marketing development and Jim Camey, project manager of direct support of Mary Kay Cosmetics here in Dallas, Texas.

Mary Kay Cosmetics is still a direct selling organization, but they have overlaid a marketing program to fully support and enhance its sales or beauty consultants' time. The problem was that the company had a terrific problem with consultant turnover. Isn't that correct Blair? BS: Yes. Now we have between 160,000 and 170,000 consultants with several different categories of consultants determined by their level of activity.

We have three levels of consultants. The first is the Category I type of consultant who's very productive. She is selling--really in business for herself. Then we have a second layer of consultants who are part timers. They are selling at a minimum kind of maintenance level. And then of course, we have a group that are either just starting or they are in that turnover mix. All direct selling organizations, at least that I know of, that have a large sales force base have experienced and do continue to try to contend with high turnover. JC: A lot of people come into direct selling with a goal in mind, and once they attain that, they're satisfied, and go

onto something else. The goal can either be financial, professional or strictly personal. A big part of turnover is the level of satisfaction achieved. Pete Hoke: Out of the 167,000 beauty consultants, how many are active? BS: In terms of the direct support program--which is the direct mail program at Mary Kay--we have had about 70,000 of those consultants, still active in the sales force, who participate in the direct support program. PH: And what does participation mean exactly? BS: It means a consultant has enrolled in one of the direct support programs, and we have done the mailing for her. When the consultant enrolls her customers--she's the one who qualifies which customers she's going to enroll--we charge a fee of about 50 cents per customer. Once the customer is enrolled in subsequent enrollments, then we only charge 25 cents or 30 cents for the re-enrollment of that customer. PH: Re-enrollment referring to whether they're going to go for this next mailing? JC: Yes. In each one of our mailings they have the opportunity to elect to enroll or to skip a particular direct support promotion, which are tied to our quarterly promotions. We have a mix of products, such as holiday gift items, glamour items which would be our lipsticks, nail polish, nail colors and so on, and then others in skin care.

Each one of our brochures cover all of our products, but it will focus generally on the skin care or glamour items or fragrances.

Certain consultants may just elect to concentrate on skin care items, so they'll take advantage of all of our skin care mailings. And others may tend to go more toward the glamour items. And then a certain group of them will mail all the promotions we offer. PH: This whole task of convincing your 170,000 consultants to participate in this database management idea produced 5 million names. Right? BS: Yes, the active database is in excess of 5 million names. During one of our programs, for example, we may add 750,000 to 1 million new names. PH: This database is proprietary to the sales consultant. Will it continue to be? BS: The way that we are handling it from the standpoint of Mary Kay Cosmetics is that the database is proprietary and we don't use that database for any other purpose other than generating leads and business for the sales consultant. What we're doing right now with the direct mail program is we're mailing four times a year. We use the direct mail program to work in conjunction with the normal marketing promotions that the marketing department at Mary Kay would have normally put in stream. So four times a year, we go through this enrollment process for a specific quarterly promotion.

The direct mail packages we send are all very upscale, high impact and high image. We want to give the image of who we really are, and we are an upscale cosmetics, skin care product company. Along with this, it helps create an image for Mary Kay as well as improve the image of the sales force. They are no longer perceived as being direct selling people, they are beauty consultants. That's their image of themselves. And we enhance this image through the high quality. PH: The total quantity mailed in any one of the four campaigns is a function of the agent signing up for the mailing? JC: That's true. We have mailed 2.7 million pieces of mail for a group of 32,000 or 33,000 consultants. These are independent businesspeople and they may or may not elect to participate in any one of these. We have some of our consultants, for example, who may take a month-long vacation, and they will not want to be active at that time. So they elect not to participate. It is difficult for us therefore to gauge what their activity will be. PH: Let's look at a mailing here. This one has two windows in it, one showing through the consultant's name, and the bottom window showing the recipient's name. BS: Each piece of mail that goes to a customer is double-personalized to that customer from her specific consultant who enrolled her in the program. It is fully laser printed. Also included is the telephone number of the consultant with a computer-generated signature. In addition, the coupon at the bottom carries the name of the recipient and the consultant. The coupon is really a reminder vehicle.

In each one of the pieces the premium we're offering is carried through--a gift with purchase. The coupon is another action device. The customer can tear off the perforation and save it. It has the telephone number on it creating more involvement. It implies that, if I give this coupon to my consultant at the time of purchase, I'll receive a gift.

One of the things that we've found over the past two years is that using a gift-with-minimum-purchase type of an action item with the customer mailing has been very, very successful. It took two or three mailings with the consultants for them to begin to understand that when we do a mailing to their customers and we offer a gift with minimum \$25 purchase that the gift-with-purchase nomenclature was a real drawing card, and that it really got the customer to take action.

Our follow-up research shows us that if we establish the gift with purchase to be a minimum purchase of \$25, then the average order from the customer is someplace \$2 or \$3 above that. If we establish it at \$30 minimum purchase, then strangely enough, the average is \$3 or \$4 higher than that. One thing that has really made a difference for the consultants is that they are beginning to see higher than average orders occurring with each program and consistent sales success as a result of the mailing and the premium offer that are tied together in combination. PH: Explain briefly the logistics of doing a mailing. BS: One thing you can appreciate about the program is that we are a service...providing a service to the consultants. When we do a mailing, the first thing we have to do is send a letter to 700 post offices around the country from our corporate headquarters telling them this mailing's on the way, then explain to them the closed loop--that we're mailing these pieces on a certain date, we'd like to have them delivered by a certain time, because we have thousands of consultants who are going to start calling these people and verifying delivery.

We're unusual as a direct marketing effort in that most of the time, you have your target list that you mail to and the way you judge your response is by how many orders you get. We at Mary Kay don't get involved in the actual sale. What we have is a targeted mailing list that is qualified by the consultant. When we mail, we close the loop with a sales force out there that's going to be making personal contact with those customers. After we notify all the post offices, we also notify the consultants and encourage them to contact their local post offices to reinforce the idea that the mailing's coming, and that they expect to have it delivered. As a result we're seeing some unusual reactions on the part of the post office. PH: I was very taken with your figures showing source of sales. BS: What we find is that when the consultant will do a follow-up telephone call, she will, in terms of profit, end up making anywhere from two times to five times the profit of a consultant who does no follow-up calls. This reinforces what we've seen about how effective multichannel marketing can be. On the average our response rates are in excess of 30 percent.

Our target is to be able to compete directly with a department store offering and be successful. We want to be more convenient, personalized, and we want to provide better service. Each one of the 170,000 consultants represents an avenue of service that a department store can't compete with. And if I begin to couple that personalized service out there with the strength of direct mail and enforce it in terms of educating the consultant on how to use telemarketing, then we've begun to build a very effective marketing channel mix. PH: You're devastating mail order, aren't you? BS: From what we have been able to see, mail order cosmetics is not nearly as effective as being able to couple several different kinds of approaches to the customer together.

We continue to see that if you look at all of the sociological and demographic trends, and you begin to project those trends out through the 1990s, out toward the year 2000, you see an increasing emphasis on

individualization, on quality and on personalization. What's better than calling a consultant who knows me personally? She knows exactly what kind of products I like and what I use effectively, and best of all she can bring it to me. PH: When a customer places an order with the consultant, how long does it take to deliver the order? JC: Oftentimes, it's on the spot delivery because the consultant is responsible for maintaining her own inventory. Unit directors assist the consultants to estimate inventory levels. A director would have approximately 20 to several hundred consultants in her unit. She is responsible for educating her consultants on how to do things, such as inventory, keeping records, using the direct mail program and how to do telephone follow up. We also have five distribution centers around the country. They are located in California, Texas, New Jersey, in the Chicago area and one outside of Atlanta. Each one has a toll-free 800 number that consultants can call to place orders by charging it to their credit card at that distribution center, and then we ship on an ongoing basis by UPS. Consultants who are in the vicinity of any of those distribution centers will physically stop by and pick up their orders. PH: Did you mention one of the consultants has 7,000 prospects? BS: To be more precise, that consultant is a director of a unit and with all of her consultants within that unit, there is a combined total of over 7,000 customers.

At Mary Kay, the sales force does not have any geographical territories or geographical regions. They can sell anywhere and they can recruit other consultants from anywhere. The structure is basically two layers. There are unit or sales directors who have units of consultants. Each unit could contain anywhere from 20 consultants on up to several hundred consultants. There are some variations in the director level in terms of directors and senior directors. We also have national sales directors at the very top. Each director earns a commission off the sales of the consultants in their units. PH: Have you considered doing prospecting for the consultants -- mailing to get prospects acquainted with a consultant? BS: There are two different ways of looking at the process of prospecting. One is to have the consultant herself identify prospects. And in fact, last January we launched a program called "Introduce Yourself." In that program the consultant identifies and enrolls a prospective customer. The consultant sends that enrollment form to Dallas, and we execute a personalized mailing to that customer to introduce the consultant to her.

This is a situation where the consultant is the one who identifies the lead and sends it to Dallas. We send a mailing, which essentially opens the door. It's a way to overcome the cold call problem. We look on that as a feeder program into the direct support and the quarterly direct mail program. We send the mailings first-class with the objective being that from the time the consultant mails the prospect name to us, the prospect has a piece of mail in her hands within two weeks.

We turn the name around within 10 days inside the company and try to get a two-week follow-up cycle for the consultant out in the field. Regarding your question about whether or not we would begin to do lead generation for the consultants. That's an area, from a strategic standpoint, we are just beginning to explore, to see if it's financially and operationally feasible, as well as how it might fit into our strategy mix. PH: Why not use mass media such as direct response television to get consumers out there to call an 800 number? It would allow prospects to get acquainted with their local consultant and promote image building for Mary Kay. BS: We're looking at all sorts of possibilities. But one of the things that we have to be very, very careful about is that the primary channel for Mary Kay continues to be the traditional direct selling channel -- where the consultant is selling to and interacting with that customer. Any marketing strategy that we evaluate has to meet one very important qualification, and that is the strategy must not degrade or negatively impact the relationship which exists between the customer and the

consultant. Besides using direct mail to customers we also use direct mail to sell the program to the consultants. A package would be mailed to all 170,000 beauty consultants. It's their invitation to play the game. JC: If the consultant has a mailing list of her customers on our computer, we enclose a copy of that list along in the direct mail package. We also had a sweepstakes as an incentive for them to enroll early, and a way to keep a more even spread in the arrival rate of orders. PH: In one of your direct mail pieces I see pantyhose. Have you thought of diversifying? BS: I don't think for the foreseeable future we're looking at that. PH: Really? Maybe it's a joint venture with L'eggs? And then it's shoes. And then it's apparel. BS: I think one thing that Mary Kay is doing is maintaining its focus on the business that it has developed over the past 25 years. JC: We have narrowed down our number of SKU's. We don't want small businesspeople having to maintain an inventory. PH: What's the SKU count? BS: Between 50 to 70 is my guess. But Mary Kay has always had a very heavy emphasis on teaching, both the consultant teaching the customer about skin care and glamour, but also the company teaching the consultant about how to run a business. In fact, one of the main slogans that's always used in the recruiting is that the consultant is in business for herself, but not by herself. PH: Where do you think you'll be five years now? Are your projections to get that list up to 10 million, 15 million, if you can? BS: One of our objectives is to make the Direct Support Program so successful and so appealing that any consultant who enters Mary Kay as a business will see it as being something that she has to do. PH: Who takes the responsibility for getting more consultants? The district manager? BS: That's really every individual consultant's responsibility in terms of recruiting. We're looking at some ways to help them with that, and we're always trying to help them in terms of educating. PH: How much could a consultant make a year? BS: There's the top layer of 60 national sales directors who typically make anywhere from \$10,000 to \$30,000 a month. The income of the general sales force is not that high. PH: What's the markup on Mary Kay products? BS: It varies. We sell the product wholesale to the consultant, and she sells the product at retail to the customer. The difference between what she buys it for at wholesale and what she sells it for at retail is where the consultant makes her money. PH: And it's the consultant's option what she sells it for? JC: Yes, we have the suggested retail price in our brochures. PH: I understand Mary Kay uses video to train its consultants, as well as to inspire? BS: Yes. One video is a combination of training, education, motivation and promotion of the direct mail program. The video was put together in a time period when we were really trying to persuade the sales force of the viability of the program and we were still trying to overcome some of the initial hurdles of getting the program started. We decided that we would take not only an educational and promotional approach, but we'd also interject humor into the video. And we've kind of followed that general theme through the videos that we put together. PH: Will you continue to use videos as educational tools? BS: Absolutely. In fact, we have one video that we will distribute roughly 4,000 copies of to the sales directors for free. We'll also sell it to the general sales force for \$12.

From a strategic standpoint, we're really looking at three primary goals for this Direct Support Program. The first of those goals is to retain consultants by making them more successful and thereby retain their customers. Secondly, our goal is to acquire or recruit more consultants, and through that, acquire more customers. And thirdly, is to have a positive effect on the net sales and the net profits of the organization.

PHOTO : The first step of the Mary Kay's Direct Support Program is to entice its beauty

PHOTO : consultants to join in a particular direct mail program.
Above is a sample of a recent

PHOTO : direct mail piece that explains how consultants can boost

sales by participating -- it's

PHOTO : like turning sales into gold.

PHOTO : This Mary Kay direct mail piece targeted to the consumer is a dramatic combination of

PHOTO : color and black and white. In the upper left hand corner appears not only the consumer's

PHOTO : (recipient) name, but the beauty consultant's name as well, allowing the use of double

PHOTO : personalization to draw the consumer inside.

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